UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES

NON-ACADEMIC PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

106-01193/

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Saskatchewan and Federated Colleges Non-Academic Pension Plan as at December 31, 2004 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2004 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 21, 2005

Fred Wendel, CMA, CA
Provincial Auditor

UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES
NON-ACADEMIC PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31

Statement 1

	2004	2003
Assets		
Cash	$ 31,823	$ 106,889
Accrued investment earnings	1,187,615	3,506,008
Contributions receivable:		
Employee	189,399	180,075
Employer	189,399	180,075
	378,798	360,150
Investments (Note 3):		
Short term notes	11,507,368	7,832,431
Bonds and debentures	56,144,993	55,240,605
Equities	80,025,588	72,900,560
Pooled funds	67,180,152	63,367,944
	214,858,101	199,341,540
Total assets	216,456,337	203,314,587
Liabilities		
Accounts payable	589,229	1,447,165
Total liabilities	589,229	1,447,165
Net Assets Available for Benefits (Statement 2)	215,867,108	201,867,422
Accrued Pension Benefits (Statement 3)	180,959,900	173,315,600
Surplus	$ 34,907,208	$ 28,551,822

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES
NON-ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

Statement 2

	2004	2003
Increase in Assets		
Investment income:		
Interest	$ 4,340,448	$ 4,224,718
Dividends	2,205,745	2,107,489
	6,546,193	6,332,207
Current period change in fair values of investments	13,547,711	16,090,390
Contributions:		
Employee	2,237,100	2,150,271
Employer	2,237,100	2,150,271
	4,474,200	4,300,542
Total increase in assets	24,568,104	26,723,139
Decrease in Assets		
Plan expenses (Note 5)	658,019	599,563
Pension benefits paid	6,134,320	5,860,845
Refunds and transfers	3,776,079	2,129,206
Total decrease in assets	10,568,418	8,589,614
Net increase in net assets	13,999,686	18,133,525
Net assets available for benefits at beginning of year	201,867,422	183,733,897
Net assets available for benefits at end of year (to Statement 1)	$ 215,867,108	$ 201,867,422

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES
NON-ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
For The Year Ended December 31

Statement 3

	2004 (Note 4)	2003
Accrued Pension Benefits, beginning of year	$ 173,315,600	$ 160,171,100
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	12,296,300	11,422,800
Benefits accrued	7,301,700	7,006,900
Changes in assumptions	275,900	2,704,800
	19,873,900	21,134,500
Decrease in Accrued Pension Benefits:		
Benefits paid	9,910,400	7,990,000
Experience gain	2,319,200	---
	12,229,600	7,990,000
Accrued Pension Benefits, end of year (to Statement 1)	$ 180,959,900	$ 173,315,600

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES
NON-ACADEMIC PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

1. Plan Administration

The University of Saskatchewan and Federated Colleges Non-Academic Pension Plan (Plan) is administered by a Fringe Benefit Committee, composed by an equal number of appointees of the Board of Governors and the University of Saskatchewan Employees Union. The Committee provides recommendations to the Board of Governors in matters of Plan amendments and also maintains liaison with all those concerned with the operations of the Pension Plan, including the Board of Governors, the trustee, the investment advisors, the actuary and the members of the Plan.

Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

a) General

The Plan is a contributory defined benefit pension plan open to all Non-Academic employees of the University of Saskatchewan who are employed on a permanent full time, seasonal full time or permanent part time basis. Participation in the plan is compulsory after completing one year of service.

b) Retirement Benefits

The normal retirement date of a member is the first day of the month immediately following their 65th birthday. The annual amount of pension is determined as 2% of the member's best four years average pensionable salary multiplied by the member's service.

The above is a normal form of pension which provides for monthly payments for life with a minimum of 120 monthly payments being guaranteed.

c) Disability Retirement Benefits

The annual amount of pension is determined by applying the regular retirement benefit formula. Section 4.01(2) of the Plan provides that during a period of disability the member will be deemed to have received earnings at the member's full normal rate of pay.

d) Termination Benefits

A member becomes locked-in:

i) upon completion of two years of continuous service.

A member who terminates employment with the University prior to being locked-in may elect:

i) to receive a lump sum refund of their accumulated contributions with interest; or
ii) to transfer their accumulated contributions with interest to another Registered Pension Plan or a Registered Retirement Savings Plan.

Upon termination of employment after achieving locked-in status a member may elect:

i) to receive a deferred retirement benefit; or

ii) to transfer the greater of:

a) the commuted value of the lifetime retirement benefit; or
b) two times the required contributions made by the member with interest, to another Registered Pension Plan, a Prescribed RRSP or Prescribed Retirement Plan; or

iii) to receive a partial cash refund of 50% of their accumulated contributions with interest to December 31, 1993, in which case the member's deferred retirement benefit or transfer amount will be reduced accordingly.

e) Death Benefits

The beneficiary of an employee who dies before retirement will be entitled to receive the greater of a refund of two times the required contributions made by the member with interest or the commuted value of the retirement benefit accrued by the employee to date of death.

For an employee who is deceased after retirement, the surviving beneficiary will be entitled to receive the form of pension elected by the member at the member's retirement date.

f) Plan Improvements

Section 15 of the Plan makes provision for the use of any actuarial surplus to be applied firstly to the declaration of bonus pensions to existing

pensioners, with any remaining surplus to be used to improve the benefits of members in the Plan.

g) Required Contributions

In accordance with the terms of the Pension Plan Agreement members are required to contribute 4.92% of regular earnings.

h) Funding Policy

The Pension Plan Agreement requires the University to contribute an amount equal to at least the member's required contributions.

The most recent actuarial valuation for funding purposes disclosed an actuarial surplus. It has been determined that the University's future service cost is to be maintained at the level set in the plan to the next valuation. The present rate of contribution is considered adequate to fund the future service benefits.

2. Significant Accounting Policies

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Investments

Short-term notes are recorded at cost which approximates market value.

Investments in bonds, debentures and equities are recorded at market values which are determined by reference to closing year end sales prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investments and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in market value of investments.

Units held in pooled funds are valued at the closing sales prices of the underlying securities and are reported by the principal securities exchange on which the underlying securities are traded.

Fair value of investments approximates the market value. Transactions are record as of the trade date.

b) Receivables/Payables

Receivables and payables are non-interest bearing and are due or payable within the next year. Due to their immediate or short-term maturity the cost approximates the fair value.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as money market securities, bonds, Canadian and foreign equities and pooled funds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates. The Plan manages interest rate risk by investing in bonds and debentures with varying years to maturity.

b) Credit Risk

Credit risk arises from the potential for an investor to fail or for a counter party to default on its contractual obligations to the Plan. The Plan limits the credit risk by dealing with counterparts that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service, Standard and Poor's and Moody's Investor Services.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting the Plan's holdings of foreign investments to 30% of the book value of the Plan.

Short-term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 2.40% to 2.58% (2003 – 2.52% to 2.86%) and a term to maturity of 90 days or less. The Plan's investment policy states that investments must meet a minimum investment standard of "R1", as rated by a recognized credit rating service.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 10% of the book value of the total portfolio.

	2004 ($000)					2003 ($000)	
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Total Market Value	Yield to Maturity at Market
Under 5	8,269	1,305	6,489	16,063	3.49% - 6.03%	15,363	4.25% - 8.80%
5-10	10,165	4,237	6,989	21,391	4.84% - 8.01%	23,006	5.25% - 10.80%
Over 10	7,734	8,644	2,313	18,691	5.03% - 6.26%	16,872	5.50% - 10.25%
Market Value	26,168	14,186	15,791	56,145		55,241	

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 12% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The average dividend rate is 2.85% (2003 – 3.02%).

	Market Value ($000)	
	2004	2003
Common shares	$ 69,615	$ 60,786
Foreign common shares	10,411	12,114
	$ 80,026	$ 72,900

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the manager.

Investment in a pooled fund should not exceed 10% of the market value of the pooled fund.

The Plan's pooled Canadian funds are comprised of the Jarislowsky Fraser Special Equity Fund, Phillips, Hager & North Small Float Fund and Phillips, Hager & North Investment Grade Corporate Bond Trust, Phillips, Hager & North Mortgage Pension Trust.

	Market Value ($000)	
	2004	2003
Foreign	$ 43,273	$ 40,532
Canadian	23,907	22,836
	$ 67,180	$ 63,368

Foreign equities including foreign-pooled funds are limited to 30% of the book value of the investment portfolio and are denominated in Canadian dollars. Foreign equities and foreign pooled funds represent 26.43% (2003 – 26.88%) of the book value of the Plan. The Plan's foreign-pooled funds are comprised of the Phillips, Hager & North Overseas Equity Pension Trust, Phillips, Hager & North US Pooled Pension Fund, Sceptre Foreign Equity Section Pooled Investment Fund and Jarislowsky Fraser International Equity Pooled Fund.

Investment Return

The following is a summary of the Plan's investment performance:

As of December 31, 2004	1 year	4 year
Plan Return	10.1%	4.2%
Plan Objective	9.2%	2.8%

The Plan's fund objective for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange Index, Standard & Poor's 500 U.S. Stock Index, Morgan Stanley Europe Australia and Far East Index, Morgan Stanley World ex Canada Index, Scotia Capital Markets Universe Bond Index, Scotia Capital Mortgage Index and 91-day Treasury bills.

4. Accrued Pension Benefits

Aon Consulting Inc., a firm of consulting actuaries, performed an actuarial valuation on the Non-Academic Employees' Pension Plan as at December 31, 2004. An actuarial extrapolation was performed by the same consulting firm as at December 31, 2003. The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions approved by the Fringe Benefit Committee.

Significant long-term actuarial assumptions used in the valuation were:

	December 31,2004	December 31,2003
Salary escalation rate	3.5%	3.5%
Inflation rate	3.0%	3.0%
Interest rate	7.0%	7.0%
Post-retirement indexing	2.0%	2.0%
Mortality table	UP 94 projected to 2005	UP 94 projected to 2004

During the year, the mortality assumptions and maximum pension limits were updated to reflect current tables. This has resulted in an increase to the accrued pension benefits of $275,900.

The actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from assumed rates of: salary 3.5%, interest rate 7.0% and inflation rate of 3.0%.

	Long Term Assumptions					
	Salary		Interest		Inflation	
	4.0/4.5%	2.0/2.5%	8.0%	6.0%	4.0%	2.0%
(Decrease) Increase in obligation for pension benefits	4.3%	(3.9%)	(12.7%)	16.0%	(9.2%)	11.0%

The inflation assumption is a component of other assumptions, such as salary increases and the interest rate, and affects the liability as these components change. As well, the Income Tax Act maximum and YMPE increase assumptions were changed in concert with the change in the salary increase assumption, as these latter two assumptions are based on Average Industrial Wages.

The pension liability is long term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its obligations. Therefore, determination of the fair value of the pension liability is not practical.

To help ensure the on-going financial viability of the Plan, the Plan Agreement under section 15.01, establishes a Contingency Reserve in the Pension Fund from surpluses generated. The target level of the Contingency Reserve is equal to 10% of the accrued liabilities as determined by the Actuary.

The University contributes to the Plan on behalf of its employees based on the advice of the Plan's actuary within minimum amounts specified in accordance with the Plan and the collective bargaining agreement. The assets, including any potential surplus in the plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University.

5. Plan Expenses

	2004		2003
	Budget	Actual	Actual
Investment management fees	$413,000	$431,779	$397,199
Trustee fees	83,500	89,474	80,255
Administration fees	70,000	67,343	67,960
Actuarial and consulting services	78,700	69,423	64,682
Other	---	---	(10,533)
Total	$645,200	$658,019	$599,563

6. Related Parties

The Plan is related to the University of Saskatchewan and other pension plans sponsored by the University of Saskatchewan.

The Plan pays for plan expenses, including certain administration fees and miscellaneous expenses, which the University of Saskatchewan incurs and

charges the Plan. The expenses charged by the University of Saskatchewan in 2004 were $32,996 (2003 - $50,389).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.